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	IRM-00	SSO-00	SS-00	NCTC-00	FMP-00	R-00	DSCC-00
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DEPT FOR WHA/CEN (JENNIFER VANTRUMP)

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 SUBJECT: FINANCIAL WOES AT THE BELIZE CITY COUNCIL

REF: (A) BELMOPAN 96, (B) BELMOPAN 238

 Summary

¶1. During the last week of September, the Belize City Council (CitCo) became embroiled in two financial and political crises. These situations have emanated from charges levied against the Mayor and members of the financial staff, and from demonstrations by workers and sanitation companies for payments the Council owes them. The present UDP administration was elected in February on a platform which promised to combat corruption and implement greater transparency. Even so, efforts to prosecute members of the previous PUP Administration for corruption have proven unsuccessful (refs A and B). The allegations of financial mismanagement against Mayor Zenida Moya-Flowers represent the first time that criminal charges have been levied against a member of the sitting administration. Allegations of nepotism and financial mismanagement also plagued Mayor Moya in the run up to March 2009 municipal elections. At the same time, the cash strapped Belize City Council was finally confronted with public demonstrations against the continued non-payment to sanitation companies and workers in Belize City. End summary.

 Unaccounted funds at Belize City Council

¶2. In July 2009, Patrick Tillet, the Financial Controller of Belize City Council appointed by the Central Government, reported financial irregularities concerning unaccounted funds at CitCo. Allegations against the Mayor were made by Mr. Tillet in connection with an estimated BZ \$20,000 (US \$10,000) which were not properly accounted for at CitCo during April 2009. Since then, a special investigation by the Office of the Auditor General has confirmed the unaccounted funds for April, as well as an estimated total of BZ \$275,000 (US \$137,500) for the period January to April 2009. At the time, Mayor Moya-Flowers explained that the funds were not missing, but were used to pay for emergency services obtained by the City Council in a process termed "under depositing." However, the Office of the Prime Minister then forwarded the Auditor General's report to the Director of Public Prosecutions (DPP) for consideration and action.

¶3. On October 1, Mayor Zenida Moya-Flowers, Kiran Vanjani (City Administrator), and Duane Davis (Director of Finance) were charged with 22 counts of "uttering upon false documents," and with two additional counts of failing to comply with accounting regulations of the City Council. Kiran Budhrani (Assistant Financial Administrator) was charged with two counts of failure to comply with accounting regulations of the City Council. The charges do not relate to the BZ \$275,000 in unaccounted funds, but to 22 false receipts for gas, amounting to a total of BZ \$1,540 (US \$770). The DPP's Office claims the investigation is ongoing, and that further charges may still be placed.

¶4. The first UDP official to be held publicly accountable for missing funds by the Administration, Mayor Moya claims that the charges are a result of political victimization, due to internal UDP conflicts between her and Prime Minister Dean Barrow. Moya's legal representation has challenged the constitutionality of the amended City Council Act of December 2008, along with its implementing Statutory Instrument of January 2009. Under the amended Act, Central Government was given oversight of the financial administration of the Belize City Council. This included the appointment of the Financial Controller for the City Council, Patrick Tillett, by the Minister of Local Government. The amended Act also provides that any Council payments which exceed BZ \$50 cannot be received in cash, and need to be authorized by Central Government or an appointed representative. Contravention of the Act may result in a fine not exceeding one thousand dollars, imprisonment for a term not exceeding one year, or both. As an indictable offence, the case has been remanded to the Supreme Court and has been adjourned until November 5, 2009.

¶5. As a result of the present allegations against the Mayor, other Council members have distanced themselves from her. Although the Mayor claims political victimization, the UDP is not alone in its public criticism of political leaders. In a press release issued on October 5, the PUP strongly condemned the Mayor's management of CitCo funds and called for her immediate leave of absence in light of the charges.

¶6. On October 3, Mayor Moya's derogatory comments to the media about the Prime Minister and implications that he had subverted justice, resulted in her removal from the National Party Council of the UDP. She may face further disciplinary sanctions to be determined by the Central Executive of the UDP. The Central Executive met on October 17 and decided that the issue of disciplinary action will go back to the National Party Council which will appoint an Ethics Committee to consider the case against the Mayor. If the Party Council does form charges against the Mayor, she will be permitted to offer a defense. On October 20, the Mayor retaliated by filing a claim in the Supreme Court which challenges her removal from the National Party Council and calls for the decision to be declared null and void. An injunction has also been filed to halt the appointment of the Ethics Committee. The Mayor has chosen prominent PUP lawyers to represent her.

¶7. This is not the first allegation of financial mismanagement brought against the Mayor. In February 2009, the media reported BZ \$250,000 (US 125,000) was paid by the City Council to Silvino Moya's trucking company for garbage collection services. Silvino Moya is Mayor Moya's brother. Despite the allegation of nepotism, no investigations were undertaken and the matter remains unresolved. Additionally, fresh allegations are surfacing that between March 2006 and February 2008, the Mayor was overpaid by approximately BZ \$69,000 (US \$34,500). Another allegation is that during the same period, discounts and write-offs towards the payments of trade license fees by select businesses valued over BZ \$400,000 (US 200,000) are unaccounted for at the City Council.

¶8. City Councilor Leila Peyrefitte claims that the BZ \$400,000 (US 200,000) related to incentives and trade-offs offered to businesses operating in the City's jurisdiction in exchange for non-payment of trade license fees. She has noted that the practice of granting these incentives to businesses was done with the knowledge of the Council's Trade License Board and other Council members; however, the practice is not allowed by the law. Peyrefitte has denied media allegations that her family's business benefitted from the Council's practice and has initiated a libel suit against the media house.

¶9. Other high profile cases of financial mismanagement and public corruption have come up during the year, unrelated to CitCo. In July, a treasury clerk was charged with the theft of BZ \$291,022.36 (US \$145,511.18) from the Government of Belize Pension between September 1, 2007 and May 2009. Also in July 2009, an employee of the Belize Border Management Agency was charged with six counts of theft of BZ \$13,750.50 (US \$6875.25), which was apparently stolen from their office at Belize's western border. Finally, a Public Commission of Inquiry is soon expected to commence looking into allegations of financial mismanagement, which arose in June 2009, at the Karl Huesner Memorial Hospital (KMH) in Belize City. The Commission's work has been delayed pending the completion of a full

audit of the hospital's finances by the Auditor General's department. In none of these cases has a UDP-appointed official yet been held accountable.

Belize City Council accumulated debt for sanitation services

¶10. On September 28, workers from Belize Maintenance Limited (BML) engaged in a formal demonstration against the cash-strapped Belize City Council to demand the payment of money owed by CitCo to the sanitation company. BML has been unable to pay the wages of sanitation workers as a result of CitCo's non-payment.

¶11. Belize City Council has traditionally suffered from a chronic shortage of funds. As of September 2009, the total debt owing to BML is BZ \$2.7 million. This includes a BZ \$1.2 million (US \$600,000) of debt that was inherited from the previous Council, as well as a BZ \$1.5 million (US \$850,000) debt that has been amassed by the current City Council.

¶12. BML claimed that it had not been paid since June 19, approximately 10 weeks. As a consequence of non-payment, BML laid off 150 workers, retaining only 30 individuals. The Council also has outstanding debts to another sanitation company, Belize Waste Control (BWC). In July 2009, BWC requested and obtained a final court judgment against the Belize City Council. The judgment was delivered as a result of failure by Citco to make payments of BZ \$1.5 million (US \$750,000) for an arbitration judgment issued in mid-2005 in favor of BWC. Under the recent judgment, an agreement was drafted for payments of \$10,000 a week to be made by the Council towards the BZ \$2 million (US \$1 million) owed as of July 2009. The media reports that the Council currently owes BWC BZ \$1.2 million (US \$600,000).

¶13. During the week of September 28, City Councilor Phillip Willoughby, and the two sanitation companies held negotiations. Willoughby offered solutions that included selling certain assets owned by the Council and nationalizing the sanitation services. These proposals proved unsuccessful because CitCo was not in a financial position to provide an acceptable amount for partial payment of the monies owed, and Willoughby's proposals were mocked in the media. In the meantime, garbage collection in Belize City was delayed by two weeks. The standoff ended on October 8, with a temporary solution. The Council agreed to pay BML BZ \$70,000 to allow that company to resume operations on October 9, with the remaining funds to be paid by December 2009 from revenues it expects to collect. In the interim, the GOB Cabinet has appointed a subcommittee to investigate the matter of sanitation services provided to the Council, in order to develop a long term solution. The subcommittee members include Hon. Wilfred Elrington, Hon. John Saldivar, Hon. Patrick Faber, Hon. Anthony "Boots" Martinez, and Hon. Melvin Hulse.

Comments

¶14. Public opinion concerning Mayor Moya-Flowers remains highly divided. The Mayor has a charismatic personality and continues to maintain popularity with a large portion of the public. These factions question the Prime Minister's motives for targeting the Mayor, especially in light of recent political scandals such as KHHM. Others are unsympathetic to the Mayor and believe that she is responsible for mismanaging the affairs of the City Council. As such, they believe that she should be disciplined by the party, as well as face criminal charges. Since her fate within the party will be decided by the Ethics Committee, which will be composed of party loyalists, it does not appear that the Mayor will receive a favorable outcome. However, she has challenged her expulsion by speaking publicly about her desire to be involved in national politics, as well as through the injunction which has been filed in the courts.

¶15. Whether in support of the Mayor or against her, the Belizean public is widely disillusioned about the GOB's ability to successfully prosecute cases of corruption and financial mismanagement. While the current Administration came to power on an

anti-corruption platform, this is the first time that it has attempted to hold any public officials accountable for an act of alleged corruption. Even when the current Government attempted to hold members of the previous Administration accountable for allegedly stealing public funds, they proved unsuccessful (refs A and B). The fact that the GOB has chosen this as their first real stand against corruption in the party has many looking cynically upon the events because the Mayor was only officially charged with BZ \$1,540 (US \$770) in false receipts for gas. This seems a rather petty charge in comparison to the much larger amounts of unaccounted public funds.

¶16. On the issue of the sanitation problems, public opinion supports the sanitation workers and companies. During the demonstrations, the workers were supported by the Leader of the Opposition, the Belize Workers Union, the National Trade Union Congress, and a past Councilor. In addition to public outrage, the PUP was also critical of CitCo's handling of the matter, and rejected the proposals to sell the Council's assets and to nationalize the sanitation services as possible solutions. In light of all of the recent events surrounding CitCo, if the Mayor is held accountable for the missing funds, it will be a huge step for the GOB in their fight against corruption and will instill greater confidence in the Administration. End comment.

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